

OTHER CREDIT NEEDS LENDING PROGRAMS EXAMINATION PROCEDURES

Institution_____

Examination Date_____

This workpaper is intended to guide examiners' evaluation of an institution's Other Credit Needs lending program. The workpaper highlights program and loan characteristics that would be necessary to be consistent with FCA Regulation 613.3005. While other credit needs lending programs could be structured in a variety of ways, they should address these internal control and regulatory issues. In reviewing any program, examiners should use reasonable judgment in evaluating the level of nonagricultural lending that is appropriate.

1. Other Credit Needs Lending Program					
	Yes	No	N A	Weakness Identified?	WP Link/Ref.
Does the System institution have a Board-approved lending program for other credit needs?					
If the institution has a program, does it include:					
A board-approved policy that clearly communicates the board's expectations regarding the purpose, objectives, and scope of the program for financing farmers' other credit needs.					
Reasonable operating parameters and portfolio limits.					
Guidance on authorities delegated to management and retained by the board for approval or action, including a process for addressing exceptions.					
Sufficient lending expertise to provide other credit needs financing in a safe and sound manner.					
Appropriate underwriting standards that address the different set of credit and collateral risks associated with loans for nonagricultural purposes.					

Guidance clarifying that lending should be on a more conservative basis as the purpose moves away from agriculture and that credit can not be extended for purposes of investment in agricultural assets for speculative appreciation.					
Training provided to lending, legal, and audit/review staff on the institution's program for other credit needs.					
Internal audit/review coverage of other credit needs financing programs.					
Periodic reporting to the board and management on loan portfolio composition and performance, and exceptions to other credit needs policy requirements.					

2. Program Definitions

Does the program include definitions based on reasonable, objective criteria for:				Weakness Identified?	WP Link/Ref.
	Yes	No	N A		
• A full-time farmer					
• Less than a full-time farmer					
• An applicant whose business is essentially other than farming					
• Agricultural needs financing					
• Family needs financing					
• Nonagricultural needs financing					
• Agricultural assets					
• Rural area					

3. Amount of Nonagricultural Financing					
				Weakness Identified?	WP Link/Ref.
	Yes	No	N A		
Does the program define a method for calculating the amount of nonagricultural needs financing available?					
Is the method:					
Reasonable (i.e., the amount of available credit is tied to the total value of the borrower's agricultural assets or some other reasonable limitation).					
Objective (the amount of available credit is calculated based on a specific, measurable factors).					
Sound (the amount of available credit is tied to appropriate underwriting standards and the creditworthiness of the borrower).					

4. Evaluating Other Credit Needs Loans - Person					
Use the following analysis when evaluating program loans for compliance with § 613.3005:				Weakness Identified?	WP Link/Ref.
	Yes	No	N A		
<p>Is the borrower a full-time farmer?</p> <p>If yes, full credit for agricultural as well as nonagricultural purposes is available and limited only by the creditworthiness of the borrower.</p>					
<p>Is the borrower a less than full-time (or part-time) farmer?</p> <p>If yes, has the System institution followed its method for limiting the amount of nonagricultural credit financing?</p> <p>Is the amount of financing justified considering the infinite combination of person, property, and purpose?</p> <ul style="list-style-type: none"> • More financing is justified if the borrower is using the financing to remain on the farm, increase his farming operations, or if the nonagricultural credit will finance a business in a rural area. • Less financing is justified if the borrower is moving out of farming and if the nonagricultural credit will finance a business that is not in a rural area. 					
<p>Is the borrower's business essentially other than farming? This should be based on the institution's definition.</p> <p>If yes, credit for agricultural needs only is available to the borrower; the scope of financing provided to this applicant should not include any "other credit needs" (i.e. non-agricultural purpose financing).</p>					

5. Evaluating Other Credit Needs Loans - Purpose					
Use the following analysis when evaluating program loans for compliance with § 613.3005:				Weakness Identified?	WP Link/Ref.
	Yes	No	N A		
<p>Is the loan for an agricultural need?</p> <p>If yes, full credit is available to the borrower whether he qualifies as a full-time or less than full-time farmer.</p>					
<p>Is the loan for a family need?</p> <p>If yes, credit is available to the borrower whether he qualifies as a full-time or less than full-time farmer with the exception of borrowers who are essentially other than farmers.</p>					
<p>Is the loan for a nonagricultural need?</p> <p>If yes, does the loan involve a farmer and is the amount financing reasonable in relation to the borrower's current and planned agricultural activities.</p> <p>Does the purpose support the farmer's ability to remain in farming and a rural area?</p>					